

## SIGNIFICANT COURT CASES



### [Carroll County Rural Electric Membership Corporation v. Indiana Department of State Revenue](#) 733 N.E.2d 44 (Ind. Tax 2000)

REMC challenged the Department's final determination granting REMC's protest but stating that, in the future, REMC's publication would be subject to gross retail and use taxes because it did not qualify as a newspaper. The Department moved to dismiss for lack of jurisdiction. The Court ruled that, even though REMC was not assessed a deficiency, it was still able to file suit because REMC had completed the statutory requirements to gain the Tax Court's jurisdiction.

### [Indiana Department of State Revenue v. Farm Credit Services of Mid-America](#) 734 N.E.2d 551 (Ind. 2000)

Mid-America, part of the Farm Credit System, claimed it was exempt from Indiana's Financial Institutions Tax under intergovernmental tax immunity. The claim was based on Mid-America's membership in a nationwide network of cooperative, borrower-owned banks and lending institutions, established by Congress. Since Mid-America is an Agricultural Credit Association, created through a merger between Federal Land Bank Associations (exempt through federal statute) and Production Credit Associations (limited tax exempt status), the Indiana Supreme Court ruled Mid-America is to be taxed on income generated solely from its non-tax-exempt Production Credit Association operations.

### [Salin Bancshares v. Indiana Department of State Revenue](#) 744 N.E.2d 588 (Ind. Tax 2000)

Salin disputed the Department's denial of Salin's claim for refund. The dispute arose when Salin and the IRS entered into a closing agreement for the 1991 tax year. This agreement altered Salin's 1991 tax owed to Indiana. Salin failed to report the change in tax liability to the Department because it claimed its federal return was unchanged. The Court determined that IC 6-5.5-6-6 required Salin to report any changes in federal income taxes, not limited to changes on the return. The statute of limitations was not a factor because the Court ruled "Salin is equitably estopped from asserting its statute of limitations defense."

### [Meyer Waste Systems, Inc. v. Indiana Department of State Revenue](#) 741 N.E.2d 1 (Ind. Tax 2000)

Meyer Waste appealed the Department's ruling denying Meyer from using an exemption from use tax. Meyer contended that it was hauling others' garbage and therefore provided a public transportation service. The Court ruled that Meyer owned the garbage it hauled and, therefore, was not providing a public transportation service because, to qualify, one must haul the property of another. The Court also denied Meyer's argument that the public transportation exemption is unconstitutional because it is arbitrary.

### [Panhandle Eastern Pipeline Co. v. Indiana Department of State Revenue](#) 741 N.E.2d 816 (Ind. Tax 2001)

Panhandle filed a motion for summary judgment to determine whether Panhandle was entitled to a 100% exemption from Indiana use tax for equipment purchased and used in the distribution of natural gas based on IC 6-2.5-5-27. This exemption is triggered when a company uses the property or service in providing public transportation for persons or property. The Tax Court found the public transportation exemption provided by IC 6-2.5-5-27 to be an all-or-nothing exemption. "If a taxpayer acquires tangible personal property for predominate use in providing public transportation for third parties, then it is entitled to the exemption. If a taxpayer is not predominately engaged in transporting the property of another, it is not entitled to the exemption."

### [Christina L. Williams v. Indiana Department of State Revenue](#) 742 N.E.2d 562 (Ind. Tax 2001)

Williams challenged the Department's ruling denying a refund of the Indiana gross retail tax paid on an automobile. Williams purchased the car but failed to register it in Indiana. After four months, she moved to Michigan and registered the car in Michigan and paid Michigan use tax. The Court found for the Department because Williams was required to register the car in Indiana but failed to do so. The credit Williams requested under IC 6-2.5-3-5(a) for payment of use tax in Indiana when a similar tax has been paid in another state is not available when a vehicle is required to be titled, registered, or licensed in Indiana and has not been titled, registered, or licensed.

[Kevin and Monica Clifft v. Indiana Department of State Revenue](#)

748 N.E.2d 449 (Ind. Tax 2001)

Monica Clifft challenged the Department's finding that she owed a controlled substance excise tax of \$77,871. The only issue the Court decided was whether or not Clifft possessed the marijuana in question. The Court ruled that Clifft had, at minimum, constructive possession because she was not present in the house when the police seized the drugs. Her constructive possession was measured by the *Hall* test as the capability to maintain dominion over drugs. Clifft's ownership of the house where the drugs were found, combined with a guilty plea in her criminal trial, her personal use of the drugs in the house, and the drugs found in her clothes were enough to prove constructive possession and, therefore, sustain her liability for the controlled substance excise tax.

[The May Department Stores Company v. Indiana Department of State Revenue](#)

749 N.E.2d 651 (Ind. Tax 2001)

May Department Stores challenged the Department's reclassification of income as business income. The income, related to the sale of Company assets, was initially classified by the Company as nonbusiness income. The Court ruled that "in passing IC Sec. 6-3-1-20, the General Assembly provided two tests for defining business income [the functional & transactional tests]." If income meets either of the two tests, it is sufficient to constitute business income. To meet the functional test, the "disposition of the assets at issue must, along with their acquisition and management, constitute an integral part of the taxpayer's regular trade or business operations." May's divestiture did not meet either test and was, therefore, not business income.

[Indiana Department of State Revenue v. Estate of Riggs.](#)

735 NE 2d 340 (Tax Ct 2000)

The Court held that the increase in inheritance exemptions for Class A beneficiaries effective July 1, 1997, did not apply to inheritance tax on decedents dying prior to July 1, 1997.